



Bryce Yokomizo
Director

February 10, 2003

TO: Each Supervisor

Bryce Yokomizo

FROM: Bryce Yokomizo, Director

SUBJECT: ELECTRONIC BENEFIT TRANSFER (EBT) - EFFORTS TAKEN TO RECRUIT FINANCIAL INSTITUTIONS

This is in response to your request on February 3, 2003 for the Department to provide a report on efforts taken to recruit financial institutions to accept the EBT card for cash and, particularly, to promote surcharge free cash access.

As background, EBT is an electronic issuance process for public benefits. Later this summer in Los Angeles County, paper Food Stamp coupons will be replaced with a debit card (like an ATM card) that can be used at grocery stores by participants to purchase food items (similar to how ATM cards are used for purchases). EBT for Food Stamps is mandated by federal and State law.

At county option, EBT can also be used to issue cash. Issuing cash through EBT would be very different from the current paper check process. Participants currently pick up their checks at food stamp outlets; they can cash them there or take them elsewhere to cash. With EBT, they won't get a paper check. They'll use the same debit card that they have for food stamps. They can swipe it at participating ATMs or merchants to obtain cash. However, there can be a cost (or surcharge) to participants each time they swipe their card.

Your Board's decision on whether to begin issuing cash with EBT is pending the completion of the review of the Cash Access Plan being developed by the State for the County. The Cash Access Plan will tell us whether there are sufficient free and low-cost locations (e.g., financial institutions and merchants) where participants can electronically access their benefits.

Last week, your Board asked me to report on the efforts underway to recruit financial institutions and surcharge free cash access. As the State has responsibility for recruiting financial institutions for participation in EBT, the State's EBT Project staff prepared the attached report outlining their efforts to promote EBT and surcharge free cash access throughout the State. While targeted efforts for Los Angeles County began in December 2002, the development of commercial partnerships has been underway in the State since August 2001.

Also attached is a chart listing the 19 largest financial institutions in Los Angeles County (as identified by the Treasurer and Tax Collector), their EBT status and surcharge amounts.

As retailers are another resource for free cash access, DPSS has been involved in the following recruitment activities since early 2002:

- Outreached to over 200 community agencies, asking them to identify potential EBT retailers;
- At district offices, requested employees to identify locations in the area that would be possible EBT merchants;
- At district community meetings, asked local agencies to identify any possible EBT leads (e.g., merchants where participants cash their checks); and
- At public community meetings in January 2003, outreached to nearly 8,000 participants, asking for their help in identifying any additional EBT locations (not included in the State's Cash Access Plan).

All leads are provided to the State for recruitment purposes. Out of the public community meetings alone, over 200 leads were provided to the State.

DPSS continues to work with the State and community in identifying potential leads to increase the cash access in Los Angeles County prior to the completion of the State's Final Cash Access Plan which will be received in April 2003.

BY:mq

Attachments

c: Executive Officer, Board of Supervisors
Chief Administrative Officer
County Counsel
Treasurer and Tax Collector

California Electronic Benefit Transfer Project Financial Institution Recruitment Efforts for EBT Cash Access

The State of California and Citicorp Electronic Financial Services (CEFS) work jointly to enroll financial institutions for participation in EBT. The state's objective is to ensure that there is reasonable access to cash benefits for recipients using EBT. Cash access can be accomplished through a combination of free and surcharging ATM and POS locations, with a goal of having as much surcharge free access as is available to commercial bank card users. In its recruitment efforts, the state always encourages financial institutions and retail participants to provide cash access at no cost to the EBT cardholders.

The state and CEFS began working on developing commercial partnerships for cash EBT at the onset of the statewide EBT contract in August 2001. The following describes some of the efforts undertaken and ongoing to achieve reasonable cash access statewide. Efforts for cash access recruitment are underway for 16 counties in addition to Los Angeles County. Efforts for Los Angeles County began in December 2002.

Beginning in September 2001, the Treasurer of the State of California, a member of the state EBT Committee, sent a letter to all financial institutions that the State of California uses for deposit accounts, requesting their participation in EBT as surcharge free ATM locations. These banks include Bank of America, Wells Fargo Bank, United California Bank (now Bank of the West), Union Bank, and Westamerica Bank.

The State of California has continued recruitment of financial institutions by providing general information through various banking associations and regulatory agencies. Bulletins have been published periodically by the California Department of Financial Institutions, the California Bankers Association and the California / Nevada Credit Union League informing all members of the opportunity to participate in the EBT project.

The State Benefit Access Manager has made presentations about EBT at Community Reinvestment Act (CRA) round table meetings and conferences sponsored by the FDIC and the Federal Reserve Bank, the agencies responsible for examining financial institutions' compliance with the CRA. These presentations focus on the benefits of EBT for financial institutions, and the potential to obtain credit under the services test of the CRA if a bank provides EBT services at a reduced cost.

The State has also worked closely with the California Reinvestment Committee (CRC), a non-profit organization that works to ensure that banks comply with the CRA and meet the banking needs of low and moderate income communities. Together the state and the CRC have worked to persuade several banks to participate in EBT. The CRC promotes EBT, and surcharge free cash access, as it works with financial institutions throughout the state.

The state has also worked with the County Treasurers and Tax Collectors Association to provide information about EBT and to encourage county treasurers to request that their fiscal agent bank participate as free locations for EBT. The state has encouraged the counties to request participation of their fiscal agent at no cost. Since county fiscal agents usually cash welfare checks at no cost, participation in EBT and providing free access to ATMs is a consistent position and level of service for the banks' customers.

During 2002, the state worked extensively with Wells Fargo Bank to secure their participation in EBT. Prior to EBT implementation in California, Wells Fargo has not accepted EBT at its ATMs in any other state. The state and CEFS provided extensive background information and data to Wells Fargo. Wells Fargo analyzed this information and ultimately decided to accept the EBT

card at all their ATMs nationwide, but declined to waive surcharges for EBT. The state understands that this issue was extensively analyzed and debated and the final decision was made at the highest level of Wells Fargo Bank.

Bank of America has accepted EBT transactions at its ATMs nationwide for many years. Their policy has always been to surcharge these transactions, just like any other non-bank customer using their ATMs. In January 2003, the state contacted Bank of America's corporate headquarters to request a change in the bank's policy about surcharging EBT transactions. The request was made in a conversation and followed up with a letter from the EBT Project (Health and Human Services Data Center). Efforts are currently underway to reiterate that request from a higher level within the Health and Human Services Agency. Bank of America is the fiscal agent for many California counties and also has a track record and publicly stated corporate position of working to strengthen communities. The State is asking Bank of America to reconsider its surcharge policies based on these factors.

As Cash Access Plan development begins in each county, the state and Citicorp identify financial institutions that are present in each county and specifically target those financial institutions with ATMs in areas where cash access needs for EBT are not currently met. Citicorp contacts each targeted financial institution and requests their participation in EBT, either through a phone call or email to the Operations Officer for the financial institution. If Citicorp receives a negative response from the financial institution, and the institution is considered crucial for obtaining reasonable access in the area, the contact is usually forwarded to the state for additional follow up.

At the county's discretion, the county may become involved in the effort to recruit financial institutions by writing letters or making contacts with local financial institutions. In several counties this has been an effective strategy both to secure banks' participation and to persuade them to waive normal ATM surcharges for EBT cardholders as a service to the community. When a local financial institution receives a request for participation and information about EBT from a local agency, such as the Board of Supervisors, this is much more likely to be considered favorably than when the request comes from the state or CEFS.

EBT Status of 19 Largest Financial Institutions in Los Angeles County

Banks	EBT Status	Surcharge Amount	Comments
California Federal Bank	contracted	free	acquired by Citibank
Citibank	contracted	free	
Washington Mutual	contracted	free	
Bank of America	contracted	\$1.50	
Bank of the West	contracted	\$1.50	
Comerica Bank of California	contracted	\$1.50	
Downey Savings	contracted	\$1.50	
Union Bank of California	contracted	\$1.50	
Wells Fargo	contracted	\$1.50	
U.S. Bank	contracted	\$2.00	
Citizens Business Bank	decision pending		contacted - will follow up
Family Savings-Pasadena	decision pending		contacted - will follow up
California Bank and Trust	none		
Cerritos Valley Bank	none		
Farmers and Merchants Bank	none		no ATMs in California
First Federal Bank of California	none		
Indy Mac Bank	none		
Pacific Business Bank	none		
City National Bank	declined		